

Incentive Guidelines
Innovation Aid for SMEs



MALTAENTERPRISE

Issue Date: 8th June 2017

Version: 1

<http://support.maltaenterprise.com>

Malta Enterprise provides interested applicants with support to facilitate the understanding of the objectives and the details relevant to this incentive. Support is also available to address any problems encountered when completing applications. Applicants may contact Business First by calling 144 or by email on info@businessfirst.com.mt.

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1. Introduction

1.1 Duration of Incentive

These Incentive Guidelines will remain active until 31st December 2020. Malta Enterprise may review, update and amend these Incentive Guidelines as deemed appropriate.

1.2 Legal Basis

Malta Enterprise Corporation may issue and publish updates to the official Incentive Guidelines covering this aid scheme in terms of Article 8 (3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

Assistance for Research and Development and Innovation Regulations is a Subsidiary Legislation 463.17 to the Malta Enterprise Act Chapter 463 of the Laws of Malta.

1.3 Designated Authority

This incentive is administered by Malta Enterprise Corporation (hereinafter referred to as 'the Corporation').

1.4 Budget

This measure has a budget of EUR 500,000.

2. Definitions

2.1 Incentive Entitlement Certificate (IEC)

An *Incentive Entitlement Certificate* (IEC) means a certificate issued in terms of Part VI of the Malta Enterprise Act, outlining the support granted and including any relative terms and conditions.

2.2 Highly Qualified Personnel

For the purpose of these Incentive Guidelines, 'highly qualified personnel' shall mean staff having a tertiary education degree and at least five (5) years of relevant professional experience which may also include doctoral training.

2.3 Experimental Development

'Experimental Development' means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services.

Experimental Development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

Experimental development does not include routine or periodic changes made to existing products, production lines, manufacturing processes, services and other operations in progress, even if those changes may represent improvements.

2.4 SME (Small and Medium-Sized Enterprise)

For the purpose of these Incentive Guidelines, an SME is as undertaking in Annex I of the General block exemption Regulation.

2.5 Research and Knowledge-dissemination Organisation

'Research and Knowledge-dissemination Organisation' means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert a decisive influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it.

2.6 Secondment

For the purpose of these Incentive Guidelines, a 'secondment' means temporary employment of staff by a beneficiary with the right for the staff to return to the previous employer.

3. Eligible Entities

a) Legal Form

The applicant must be duly:

- i. incorporated under the Companies Act, Chapter 386 of the Laws of Malta being a partnership en nom collectif, en commandite or a limited liability company; or
- ii. registered as a Cooperative under the Co-operatives Societies Act, Chapter 442 of the Laws of Malta; or
- iii. registered as a self-employed with *Jobsplus*.

b) Activity

This incentive is open to all undertakings which are not excluded by State Aid Regulations and which are planning to carry out or implement Experimental Development activities.

c) Fiscal and Social Security Obligation

Applicants must not be defaulting on VAT, Income Tax, and Social Security. The Inland Revenue Department may suspend and tax credit awarded if the beneficiary is defaulting on VAT, Income Tax, and Social Security payments.

4. The Incentive

4.1 Description of Measure

This measure is open to all SMEs that qualify for this incentive and shall allow these undertakings to recover in the form of tax credits, part of the costs incurred for the loan of highly qualified personnel from large undertakings and Research and Knowledge-dissemination Organisation.

The aid shall be granted in the form of tax credits and shall be capped at 50% of the eligible costs.

4.2 Eligible Costs

Costs incurred from a research and knowledge-dissemination organization or a large undertaking for secondment of highly qualified personnel employed are eligible for this incentive.

The secondment of the highly qualified personnel must be covered by an agreement between the applicant and the research and knowledge-dissemination organization or the large enterprise specifying the research, development and innovation activities which will be carried out by the personnel for the SME.

The loaned personnel must be engaged in a newly created function within the SME and not replacing other personnel.

The loan agreement must commence prior to 31st December 2020 and must not be extendable beyond a period of 24 months.

All costs must be incurred following the submission of an application for support.

4.3 Application

An application form shall be downloadable from the Corporation's website. Applicants should submit the completed application to the Corporation before 31st December 2020 (noon). Applications together with a copy of the agreement and all the supporting documentation stipulated within the Incentive Guidelines and application form should be submitted on the appropriate form to the email address HQP@maltaenterprise.com. Incomplete applications will be rejected.

Following a positive review the application the Corporation will issue an IEC.

4.4 Claim Form

Claims for a Tax Credit Certificate must be submitted on the claim form which will be made available on the Corporation's website. The beneficiary will be required to submit certified true copies of VAT invoices and receipts (or certified true copies of fiscal receipt) covering the payments effected in line with the loan agreement approved in the IEC.

Malta Enterprise may furthermore request additional documentation and information which the Corporation may deem relevant to process the claim.

The Corporation shall consider as eligible only invoices/receipts which include: -

- i. the name and details of the beneficiary;
- ii. the name and details of the Large Company/Research and Knowledge-dissemination Organisation;
- iii. date;
- iv. a clear description; and
- v. the VAT numbers of both the beneficiary and of the Large Company/Research and Knowledge-dissemination Organisation.

5. State Aid Rules and Obligations

The terms and conditions set out in these Guidelines are in line with the [Commission Regulation \(EU\) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty](#).

The incentive is not applicable to the following:

- a. Activities listed down in Article 1 (2), (3), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014.
- b. Undertakings in difficulty defined in terms of the Commission Regulation (EU) No 651/2014 of 17 June 2014. Such firms are excluded from benefiting from assistance under this incentive.

Furthermore assistance may not be granted if the aid is:

- i. related to export activities towards third countries or Member States, namely aid directly linked to quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity.
- ii. a contingent upon the use of domestic in preference to imported goods.
- iii. in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market should be excluded from the scope of this Regulation.

5.1 Rules on Cumulation of Aid

Rule on cumulation of aid shall be in line with Article 8 of the Commission Regulation (EU) No 651/2014 of 17th June 2014.

6. Further Information

Further information on the scheme, as well as guidance on the filling in of the application form may be obtained by contacting Business First during office hours.

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